



MONTANA LEGISLATIVE BRANCH

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DATE: June 4, 2008

TO: Legislative Finance Committee

FROM: Senator Carol Williams
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RE: Graying of Montana

In Montana, the 65 and over population will go from 125,000 in 2002 to about 270,000 by 2030, which will mean that one in every four Montanans will be 65 or older¹. Compared with national estimates that one in five U.S. citizens will be over 65, Montana is one of the few states expected to have the highest number of seniors. An aging population will present challenges for Montana state government. Most notably:

- o A desire for more publicly funded services to help persons continue to live in their communities as independently for as long as possible
- o A shift in the type of income taxes collected from earned income to other types of income that could result in lower general fund revenues
- o A need for geriatric medical services that will compete for qualified personnel in a national market that will be tight due to the forecasted shortage of geriatric medical professionals
- o A potentially significant "brain drain" in state and local governments, particularly in fields such as engineering, medical personnel, and management at a time when the state will be competing in a tighter labor market nationally
- o A potential increase in the costs to the state pension plan and group health benefits for retirees as baby boomers leave the state workforce

The Legislative Finance Committee (LFC), in recognition of these significant issues, added "Graying of Montana" to its interim work plan. Due to the workload for other interim projects, most of the staff expertise needed was unavailable to fully research these issues. However, the LFC workgroup continued to identify topics related to the aging population that could be pursued.

The workgroup instructed staff to begin compiling an inventory of services and unique approaches nationally to support an aging population. If there are sufficient staff resources after the inventory is completed, the workgroup directed staff to begin cataloguing the services available in Montana. In other topics related to the Graying of Montana, the LFC will hear reports about the aging services funded from the \$3.7 million general fund² added by legislative

¹ The State of Aging in Montana in 2006, Senior and Long Term Care Division, Department of Public Health and Human Services, 2006, p. 49.

² \$3.0 million of the general fund appropriation is a one-time-only appropriation.

initiative in the 2007 session, and also about the new Governmental Accounting Standards Bureau (GASB) directive 45 that will require state and local governments to project and fund the reserves needed to support the cost of retirees participating in public health plans.

In recognition of the need for additional services in the future, the 2007 Legislature established the Older Montanans Trust Fund through the passage of SB 155. The money in the fund may be used to create new, innovative services or to expand existing services for Montana residents 60 years or older to enable those Montanans to live an independent lifestyle in the least restrictive setting. The legislature directed that any unexpended health and Medicaid initiatives state special revenue appropriated for Big Sky Rx in the 2009 biennium be deposited into the trust. The fund has about \$7.3 million from the first deposit, but needs a minimum balance of \$20 million before one half of the interest can be appropriated. The challenge will be to find or create other revenues that can be allocated to the trust.

As the workgroup considered these separate issues, the Revenue and Transportation Interim Committee (RTIC) also discussed the ramifications of an aging Montana population when it discussed undertaking a study of the projected impact of changing demographics on state government revenues and expenditures. In response, LFC Chair Senator Schmidt and RTIC Chair Senator Peterson agreed to appoint a joint subcommittee to prepare a bill draft for an interim study of the impacts on state revenues and services due to an aging population and other demographics. Senator Williams submitted a bill draft request (LC0115) for this purpose. Briefly some of the topics the study would address are:

- o The long term impacts of biennial budget decisions on the sustainability and stability of the state general fund
- o The demographics driving state budget costs (school populations, prison populations, aging services entitlement costs as well as state discretionary costs)
- o The impact of baby boom retirements on demand for government services and revenue

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